

Arizona Department of Health Services Office for Children with Special Health Care Needs Children's Rehabilitative Services Administration	<b>Effective Date: 03/01/2007</b> <b>Last Review Effective Date:</b> <b>02/13/2008</b>
SUBJECT: Financial Management	SECTION: FM 1.2

**SUBTITLE: CRS Contractor Quarterly Financial Statement Review**

**POLICY:**

It is the policy of the CRSA to perform consistent and timely review procedures on all CRS Contractor Quarterly Financial Reports. The purpose of this policy is to monitor CRS Contractor performance in accordance with contract requirements. All reports will be reviewed, within 15 days of receipt, to determine the timeliness, accuracy, and completeness of the filing as well as to determine compliance with the financial viability standards and performance guidelines.

**PROCEDURE:**

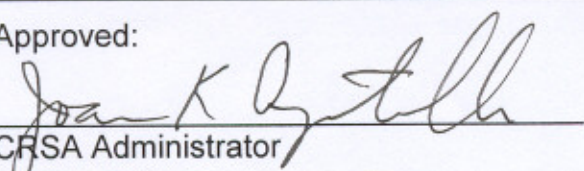
- 1) Using information from the CRS Financial Statement Template:
  - a) The CRSA Finance Manager shall perform a General Review of the quarterly reporting package and prepare an Action Letter or an Acknowledgement Letter of Receipt to the CRS Contractor within 15 days of receipt of the quarterly filing.
    - i. General Review will include:
      - 1) Generally Accepted Accounting Principles;
      - 2) Reasonableness;
      - 3) Quarter to Quarter Changes;
      - 4) Seasonality;
      - 5) Year to Year Changes;
      - 6) Per member per month (changes or reasonableness); and
      - 7) Financial Viability Standards:
        - (a) Current Ratio: at least 1.0; and
        - (b) Administrative Cost Ratio: No more than 55% for the entire CRS program and no more than 35% for the AHCCCS and KidsCare populations.
  - b) The CRSA Finance Manager will advise the CRSA Chief Financial Officer of significant issues in the contractor quarterly financial statements.
  - c) If deficiencies or other concerns such as inaccurate or incomplete filing are noted by the CRSA Finance Manager, an action letter will be generated to the CRS Contractor. A response is due 10 business days from the date of the letter.
  - d) The CRSA Finance Manager shall submit a hard copy of the Financial Statement-Reporting Package, including any action letters and



responses, as needed, to the AHCCCS Finance Manager no later than the 60<sup>th</sup> day following quarter end. The CRSA Finance Manager shall verify receipt of the submission by the AHCCCS Finance Manager.

2) Failure to Comply:

- a) CRSA has the authority through contract to take a variety of actions if a CRS Contractor fails to comply with financial reporting requirements or to meet capitalization and/or viability standards. These actions may include:
  - i. Failure to submit accurate, timely, and complete financial statements and related deliverables may result in sanctions or withholding of capitation payment;
  - ii. Failure to meet financial viability standards may result in CRSA requiring the submission of monthly financial statements along with the quarterly and annual required reporting;
  - iii. CRSA may require that the amount of the surety be increased to offset insufficient equity;
  - iv. In addition to monthly reporting, a CRS Contractor that fails to meet the financial viability standards may be required to submit a fiscal corrective action plan that outlines the steps that will be taken to return to financial stability; or
  - v. If the above remedies are ineffective and/or a CRS Contractor is unable to fund an audited accumulated fund deficit as required in contract, CRSA may commence contract termination.

Approved:  CRSA Administrator	Date: <u>2/18/08</u>
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